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C O N F I D E N T I A L SECTION 01 OF 04 DAR ES SALAAM 000234

SIPDIS

DEPARTMENT FOR AF/E AND INR/AA

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TAGS: [ECON](#) [EAID](#) [EINV](#) [PGOV](#) [TZ](#)

SUBJECT: Up-Country Travels: Snapshots of Five Regions

Classified by Pol-Econ Chief Judy Buelow for reason  
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REF: A) Dar es Salaam 146

1. (SBU) Summary: From January 7-23, when Embassy Dar es Salaam had the use of a Twin Otter airplane from Prescott Aviation, mission personnel traveled to five of Tanzania's 26 regions: Mwanza, Shinyanga, Mtwara, Mbeya and Ruvuma. These five regions form an arc through western and southern Tanzania, which begins at Lake Victoria, then proceeds along the shores of Lake Malawi and across the Mozambican border. Our choice of itinerary was motivated partly by our interest in seeing Tanzania's most remote areas while we had a chance to do so. We also took the opportunity to inaugurate Self Help and DOD Humanitarian Assistance projects, and to meet with local government officials. A picture emerges of a hinterland that is traditionally poor and remote, but with great aspirations for economic development. Most of these regions have significant potential, but need major investment to realize that potential. In many areas, the privatization of formerly moribund parastatals provides an engine for employment and growth: the Wakulima Tea Growers Cooperative in Mbeya is a stand-out success story. In Mwanza, the door opened to major new investments by the US agricultural company Cargill, once the government finally resolved an investment dispute with the company that dated to the socialist era. Our "snapshots" from each region follow. End Summary.

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Mwanza Region  
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2. (U) Mwanza Region in northern Tanzania hugs the southern shores of Lake Victoria and includes the city of Mwanza, Tanzania's second-largest city. Twenty million people, nearly two-thirds of Tanzania's population, live in Mwanza and its neighboring Lake regions, making Mwanza city an important commercial hub. Mwanza Region is buffered from the refugee population that has impacted neighboring regions to the west. The Regional Commissioner told emboff that Mwanza was a "sleeping giant" with great potential for significant growth. The region does in fact have significant resources, including fish, gold, cotton, cattle and access to tourism sites. Recent infrastructure developments, including several newly-improved roads and a more reliable electricity grid, may set the stage for the giant to wake up.

3. (U) Gold mining represents the region's largest foreign-exchange earner, and recent discoveries ensure that the mining industry will remain active for the foreseeable future. Fish products make up the next largest export industry, with processed fish being shipped to Europe (and to the U.S. via Europe). Fish products from Mwanza are also sold throughout Tanzania. Mwanza also has a rich though undeveloped agricultural sector. Cotton is the largest export crop, but Mwanza also produces cattle and tropical fruits. The still undeveloped tourism industry in Mwanza has significant potential; Mwanza is as close to Serengeti National Park as the traditional tourist hub, Arusha, and the city is set in a beautiful natural environment. Today, however, only one hotel reaches international standards, and there is no conference facility in the city.

4. (SBU) Local authorities held an Investors Forum last year, and have focused on attracting further investment in the region, particularly in tourism. American businesses have recently been active in Mwanza in at least three sectors: Cargill Cotton was the largest purchaser of Tanzanian cotton in 2004, and is looking to invest in commercial farming and ginneries in the region; a local investor recently signed a franchise agreement with US hotel chain Hawthorn Suites and plans to build a full-service hotel in Mwanza; and an American investment company is involved in the purchase of two high-speed ferryboats that will service Mwanza and other Lake Victoria communities. The resolution of business disputes and US embassy commercial advocacy have been a significant factor in some of this new investment. Cargill's dispute with the parastatal Cotton Marketing Board had dragged through

courts and mediation since 1992; as recently as 2002, a Cargill executive told econoff the company would not consider further investments in Tanzania. The government's payment of half of the disputed amount late in 2004, with a firm commitment to pay the remainder in 2005, has apparently sweetened Cargill on Tanzania and Mwanza investment.

15. (U) Outside of the urban center of Mwanza, the region remains undeveloped. Emboff visited Ukerewe district, comprised of 26 islands in Lake Victoria, to see two USG-funded projects. Accessible only by ferry, the district is among the most remote in Tanzania. The islands are not connected to the country's electrical grid, and only a few small streets are paved. Residents feel far removed from the government in Dar es Salaam, and expressed dismay that their elected leaders have taken too long to provide needed infrastructure and services. Traditional beliefs, including the practice of witchcraft, maintain a stronger hold in these rural areas. Some of these practices have contributed to the spread of HIV/AIDS in the area. (For example, it is believed that when a married person's spouse dies, he or she must engage in sex to be cleansed of the marriage. The person to perform this "cleansing" is often appointed to do so for an entire village or group of villages.) Education and modernization have been slow to influence such rural areas.

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Shinyanga Region  
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16. (U) Shinyanga Region is just south of Mwanza and comprises vast stretches of farming and livestock lands. Cotton dominates the agricultural sector, as the land is too dry for many other crops. A few gold mining sites and one diamond mine are found in Shinyanga. Still, the population relies largely on subsistence farming, and has been hit hardest in Tanzania by the drought in recent years. Roads are poor, and getting food aid to a dispersed population has been problematic. Emboff commissioned four water wells built with Self-Help Fund assistance, which brought clean water much closer to a remote village and a secondary school. Many villages in the region still lack nearby, clean water sources.

7.(C) Shinyanga is the hometown of Prime Minister Frederick Sumaye, who is campaigning vigorously to be the ruling party's nominee for president. The Regional Commissioner for Shinyanga told emboff he had spent the last two days touring the region in preparation for the Prime Minister's upcoming visit. The Regional Commission was expected to "pave the way" for the Prime Minister's campaign. Paving the way often includes giving cash presents to important local leaders to ensure their support. The Regional Commissioner, who is a CCM appointee from outside Shinyanga, was keenly interested to ensure the visit went well.

18. (U) Economic prospects for Shinyanga revolve around cotton farming and livestock. The government-owned cotton ginneries have been privatized, but are still unprofitable and in disrepair. The vast majority of cotton is exported unprocessed at world prices, which have declined in recent years. Despite a high number of livestock in the region, there is no large-scale commercial ranching, no dairy production, and no meat-processing plants. Desperate for agricultural investment, Shinyanga will not likely be able to compete with other regions for scarce foreign investment.

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Mbeya Region  
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19. (U) Mbeya region, in south-central Tanzania, is relatively wealthy and agriculturally diverse, with a climate ranging from cool highlands to moist tropical forest. Unique in Tanzania, Mbeya gets rain year-round. Because the Tanzania-Zambia highway runs through Mbeya, the region also has good onward transport connections for farmers seeking to get their coffee and tea crops to Dar es Salaam markets, or to auction houses in Moshi and Mombassa. Agriculture ranges from large tea and coffee estates, to small rice fields and the ubiquitous banana trees.

110. (U) Possibly because of the reliable rains and good roads, the average Mbeya resident seems a bit wealthier than his counterparts elsewhere in the country. Mbeya's wealth is still modest, measured in a brick houses with tin roofs, instead of a mud and wattle houses with thatched roofs. Mbeya's relative wealth is also visible in the newer second hand clothes, high number of bicycles, and wider variety of commercial goods available in the markets.

111. (SBU) Although in Dar es Salaam, politicians complain

that the benefits of privatization accrue mostly to foreigners, particularly South Africans, a visit to Wakulima Tea Estate showed one privatization success story that benefits Tanzanians. The tea company, privatized in 2000, was formerly a parastatal industry and a perpetual loss-maker. Now it is co-owned by a private entity, with the cooperative Rungwe Smallholders Association owning a 25% equity. After privatization, production skyrocketed from 500,000 kilograms to 3,338,743 kilograms of tea in 2004, with price, quality, and profits following suit. The Tanzania smallholders were justifiably proud when they showed Charge and EmbOff around the tea processing plant and presented production figures. Operations were managed by a white, Kenyan-born expatriate manager, showing the degree to which larger companies in Tanzania economy still depend on expatriate managers. (Embassy Self Help funded a clinic for Wakulima's workers.)

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Ruvuma Region  
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¶12. (U) Ruvuma region, in Tanzania's far Southwest, is one of Tanzania's more isolated regions, and is closer economically to neighboring Malawi and Mozambique than to other parts of Tanzania. In his introductory remarks, Regional Commissioner Retired Major General S.S. Kelembo painted Ruvuma as a region with great, albeit unrealized, agricultural and tourist potential. Indeed, the flight over the region showed rich volcanic soil, and peaks of completely forested mountain ridges, all tucked along Lake Malawi. Although Ruvuma borders Lake Malawi, officials said fishing is not a big industry, because the Tanzanian part of Lake Malawi is too deep for easy fishing.

¶13. (U) Ruvuma has great potential, with 54,456 square kilometers of arable land, much of it unoccupied. The local government is organizing an Investments Forum to inform investors about Ruvuma region. The Regional Commissioner made a pitch to Charge to solicit US investors in timber plantations, agricultural, and ranching. Regional Commissioner also noted Ruvuma's mineral wealth, largely unexploited, of gold, gemstones, coal, and diamonds. However, limited road access hinders investment: Ruvuma is 20 hours by road to Dar es Salaam. The Regional Commissioner was grateful for a USAID infrastructure program, now completed, that constructed 204 kilometers of rural roads and 20 concrete bridges in the region.

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Mtwara Region  
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¶14. (U) Mtwara region, in the far southeast, bordering on Mozambique, was long one of the most isolated regions in Tanzania. That Mtwara is now opening to the wider world is only partly due to the fact that its Masasi district happens to be home to President Mkapa. Certainly, the newly-opened Mkapa bridge over the Rufiji river has done much to ease Mtwara's isolation. Residents have high hopes for the ongoing improvements to the coastal highway; they anticipate that the new road will cut the drive time between Dar es Salaam and Mtwara from the current fourteen hours to five or six. The region's traditional window on the world has been its ports, first, the shallow harbor in historic Mikindani, which sheltered the centuries-old dhow trade, later, the deep water port just down the coast in Mtwara city. Mtwara's port, recently upgraded, is still operating at only 30 percent capacity.

¶15. (U) The Mozambican border, delineated by the Ruvuma River, has both eased and exacerbated Mtwara's isolation. There is no bridge over the Ruvuma, nor is there any immediate prospect that Mtwara will find \$30 million to fund a bridge project. Nonetheless, the predominant Makua, Yao, and Makonde tribes all straddle the border, and petty traders easily cross back and forth. Local government officials know that they cannot sufficiently control the trans-border traffic and worry that a criminal element from Mozambique is entering to prey on Mtwara's population. During Mozambique's long civil wars, insurgents often took refuge on the Tanzanian side. Local officials in Mtwara report that their predecessors let the region become a neglected buffer zone. Acting Regional Commissioner Sadiki referred to Mtwara as the "orphan region."

¶16. (SBU) Orphaned Mtwara may be, but it is not lacking in resources. In the short term, food processing offers the best prospects for investors. Mtwara is one of Tanzania's top producers of cashew nuts. At present, most cashews are produced by small-scale farmers and shipped raw to India for processing. Local officials dream of reviving the local cashew-processing industry, and capturing the resulting value added and new jobs for Mtwara. On the Masasi-Newala road, two shuttered cashew-processing factories, former parastatals, are moldering away. One of

these factories was recently sold to a private investor; Masasi District Commissioner Rufanga expressed the hope that it would soon employ 200 workers. The other factory is still awaiting a buyer. Neither looked ready to open its doors soon. Regional officials also hope to develop a deep sea fishing industry, but they worry that foreign poachers will decimate fish stocks, since the region has no capacity to patrol its waters. In the longer term, local officials believe there are prospects for investment in mining. The region is believed to hold deposits of garnet, tourmaline and marble. While the infrastructure is barely developed, tourists may be tempted to visit the beautiful coastline, coral reef, and the historic district bordering Mikindani harbor.

17. (SBU) Regional officials hope that cheap and reliable electricity will also encourage new investment. To date, Mtwara has had to generate its electricity by burning imported diesel. Regional officials are very excited about the Misimbizi gas pipeline project, a largely Canadian investment that is due to come online soon, and which they hope will provide abundant and reliable supplies of natural gas to power the generators.

18. (SBU) Mtwara Region owes its much of its visibility to President Mkapa. Several times a year, the President visits his home village, which is now accessible via an excellent dirt road. Mkapa's entourage typically fills up the meager hotel offerings for miles around. Officials in the regional and district governments report security is tight, and they rarely see or interact with the president or his entourage during these visits. They all stoutly insist that the Mtwara region is well on the road to development, and won't fall into isolation and neglect when President Mkapa leaves office later this year.

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